

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 STR-02 STRE-00 EB-03 NSC-05

NSCE-00 INR-05 INRE-00 OMB-01 TRSE-00 EURE-00 SSO-00

L-01 SP-02 SIL-01 PRS-01 SAM-01 CIAE-00 /045 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 1151

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PASS STR ELECTRONICALLY

E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: SPECIALTY STEEL CONSULTATIONS, MAY 10, 1976

REF: EC BRUSSELS 4509

1. WOLFF (STR) AND STEEL NEGOTIATING TEAM MET ON MAY '10 WITH COMMISSION OFFICIALS (COMMISSION DIRECTORS: FIELDING, NORTH AMERICAN AFFAIRS, PETRICK, STEEL AND PHAN VAN PHI, GATT AFFAIRS, AND OTHERS) TO SUGGEST A NEW FORM OF AGREEMENT TO MEET THE PRESIDENT'S DECISION TO SEEK ORDERLY MARKETING AGREEMENTS. SUBSEQUENTLY WOLFF AND HEIMLICH MET WITH EXTERNAL RELATIONS DIRECTOR GENERAL HIJZEN AND INDUSTRY DIRECTOR GENERAL LOEFF.

2. WOLFF SUGGESTED AN AGREEMENT CONSISTING OF A US NOTE, INFORMING THE

COMMUNITY OF SPECIFIC THREE-YEAR RESTRAINTS ON PARTICULAR CATEGORIES NOT MORE RESTRICTIVE THAN SPECIFIED, BUT ALLOWING A CONSULTATION PROCEDURE AND TERMINATION AFTER SIXTY DAYS' NOTICE. HE PROPOSED THAT THE COMMISSION RESPOND WITH A NOTE ACKNOWLEDGING AN AGREEMENT AND COMMITTING THE COMMUNITY
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TO REFRAIN FROM GATT ARTICLE XIX COMPENSATION OR RETALIATION.

3. HIJZEN RESPONDED THAT THEY COULD NOT SEE MUCH DIFFERENCE FROM THIS APPROACH AND THE STANDARD CONCEPT OF AN ORDERLY MARKETING AGREEMENT WHICH THEY HAD ALREADY DECIDED IN PRINCIPLE AGAINST. THEY SAID IT WOULD BE DIFFICULT TO EXPLAIN TO INDUSTRY WHY THEY SHOULD ENTER ANY SORT OF AGREEMENT ACCEPTING RESTRAINTS AT LOWER LEVELS THAN THOSE OFFERED UNDER THE ITC FINDING. CONSEQUENTLY, THEY WERE VERY DOBUTFUL THAT THE COMMUNITY WOULD BE WILLING TO ACCEPT SUCH A PROPOSITION. HOWEVER, THEY DID NOT FEEL PREPARED TO GIVE A DEFINITIVE RESPONSE. THEY WILL TAKE THE MATTER TO A SMALL GROUP OF COMMISSIONERS ON MAY 11 AND THE ENTIRE COMMISSION WILL PROBABLY WISH TO REVIEW THE MATTER ON MAY 12. SOAMES WILL BE PREPARED TO EXPLAIN THE COMMISSION RECOMMENDATION TO AMBASSADOR DENT ON THE EVENING OF MAY 12. THE MATTER WILL THEN BE DISCUSSED BY THE ARTICLE 113 COMMITTEE ON MAY 13.

4. IN MAKING THE US PRESENTATION, WOLFF SET OUT THE FIGURES FOR US IMPORTS UNDER AN AGREEMENT BASED ON A 1971-75 AVERAGE (APPROXIMATELY 31,000 TONS). HE ALSO EXPLAINED HOW THIS TONNAGE WOULD BE DIVIDED AMONG THE FIVE CATEGORIES. HE INDICATED THAT THERE WAS SOME FLEXIBILITY AMONG PRODUCTS IN THE BASE YEAR, IN PRODUCT SHIFTING, AND IN CARRYOVER, BUT THAT IT WAS LIMITED. APART FROM ONE SPECIFIC REQUEST FOR A QUOTA OF APPROXIMATELY 5,000 TONS ON PLATE, COMMISSION OFFICIALS DID NOT PROBE VERY DEEPLY IN THE DEGREE OF FLEXIBILITY WHICH THE ADMINISTRATION HAS. LOEFF AND HIJZEN SUMMED UP THE COMMISSION OFFICIALS' REACTION TO THE WOLFF PROPOSAL BY SAYING THAT THE COMMUNITY WAS IN GENERAL OPPOSED TO OMAS AND IT DID NOT APPEAR AT FIRST READING THAT THE SPECIFIC FIGURES OR THE INDICATED AMOUNT OF FLEXIBILITY WERE SUFFICIENT TO OVERRIDE THE COMMISSION'S DIFFICULTIES. HE DID NOT UNDERSTAND WHY THE US COULD NOT PROVIDE, IN THE ADMINISTRATION OF RESTRAINTS, FOR FLEXIBILITY AND UNITARY TREATMENT OF THE COMMUNITY WITHOUT AN EXCHANGE OF NOTES.

5. IN THE EARLIER MEETING WITH FIELDING, THE DISCUSSIONS WERE NOMINALLY CONDUCTED ON THE BASIS OF GATT ARTICLE XIX. IN THAT MEETING, WOLFF PRESENTED THE TEXT OF A PROPOSED AGREEMENT, ALONG WITH ANNEXES, INDICATING POSSIBLE BASE FIGURES FOR 1976/77
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IMPORTS, BUT NOT INDICATING THE AMOUNT OF SHIFTING WHICH WOULD BE ALLOWED. HE ARGUED THAT COMMUNITY WILLINGNESS TO ACCEPT AN AGREEMENT WOULD FACILITATE FLEXIBILITY, TREAT THE EC AS A WHOLE RATHER THAN COUNTRY-BY-COUNTRY, AND MOST IMPORTANT OF ALL, PERMIT UNILATERAL TERMINATION WHICH WOULD CAUSE THE UNITED STATES TO REEXAMINE AT THE TIME OF EARLY TERMINATION WHETHER IT THEN WISHED TO REIMPOSE RESTRAINTS IN THE FORM OF UNILATERAL QUOTAS. FOR THE PERIOD ON WHICH THE AGREEMENT WAS IN EFFECT, THE COMMUNITY WOULD

EFFECTIVELY NOT SEEK COMPENSATION, NOR AFTER THE TERMINATION OF THE AGREEMENT WOULD IT SEEK RETROACTIVE COMPENSATION. THE COMMISSION INDICATED GREAT INTEREST IN THE US TREATMENT OF CANADA, BUT WOLFF SAID THAT THIS WAS A MATTER ON WHICH FURTHER DECISIONS NEEDED TO BE REACHED.

6. FIELDING SAID THAT IF AFTER THE ARTICLE 113 MEETING THE COMMISSION WISHED TO PURSUE THE MATTER FURTHER, IT WOULD OF COURSE AT THAT POINT HAVE TO BEGIN TO DISCUSS WITH THE US SPECIFIC FIGURES ON SHIFTING AND BASE YEAR LIMITS. WOLFF EMPHASIZED THAT THE US WOULD HAVE TO SEND A FINAL RECOMMENDATION TO THE PRESIDENT ABOUT MAY 20 AND ANY FURTHER NEGOTIATIONS WOULD PROBABLY HAVE TO BE HELD IN WASHINGTON. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, STEEL, MEETINGS, NOTE VERBALE, TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU04681
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760181-0500
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760569/aaaacgya.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: LIMDIS
Reference: 76 EC BRUSSELS 4509
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by CollinP0>; APPROVED <29 JUL 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPECIALTY STEEL CONSULTATIONS, MAY 10, 1976
TAGS: ETRD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006